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Twentieth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 19 November 1998, at 3 p.m.

President: Mr. PITTALUGA FONSECA (Uruguay)

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The meeting was called to order at 3.10 p.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau had decided to recommend to the Board that it follow the practice established at previous sessions, namely, to hold informal in-session consultations to facilitate the drafting of decisions and subsequent consensus in the plenary. All members of the Board were urged to participate in the consultations. Any texts of draft decisions should be submitted to him as soon as possible, before being submitted to the informal consultations. The deadline set for their submission was 6 p.m. that day.

2. The Bureau had also recommended that Mr. S. Nur, Vice-President, should chair the consultation meetings.

3. In view of the time constraints, the Bureau had agreed that draft decisions could be discussed in the informal consultations before the consideration of the related items had been taken up or concluded in the plenary.

4. If he heard no objection, he would take it that the Board agreed to those procedures.

5. *It was so decided.*

6. **The PRESIDENT** said that South Africa had requested to attend the present session as an observer and had been granted such status under rule 75.2 of the rules of procedure.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE *(continued)* (IDB.20/2):

(a) **REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997** *(continued)* (IDB.20/3, IDB.20/5, IDB.20/6, IDB.20/10)

(b) **FINANCIAL SITUATION OF UNIDO** *(continued)* (IDB.20/8, IDB.20/11; IDB.20/CRP.3)

(c) **PROGRAMME AND BUDGETS, 1998-1999** *(continued)* (IDB.20/7, IDB.20/18)

(d) **FINANCIAL REGULATIONS** *(continued)* (IDB.20/6)

(e) **MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003** *(continued)* (IDB.20/9)

(f) **INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS** *(continued)* (IDB.20/4)

7. **The PRESIDENT** said that a note had been received from the Chairman of the Programme and Budget Committee stating that, owing to scheduling conflicts and the availability of facilities, the Committee would hold its fifteenth session in the week of 12 to 16 April 1999 instead of the week of 19 to 23 April 1999, as originally foreseen. That would be the subject of a decision to be taken by the Board at its present session.

8. **Mr. BREITER** (Switzerland) said that his country was satisfied with UNIDO's administrative and programmatic transformation, which had been undertaken with efficiency and determination by a dynamic management. Switzerland's support for the reform process was evidenced by its allocation of $10 million to the Industrial Development Fund (IDF) for specific projects over three years. However, the proof of UNIDO's success in its ongoing reform efforts would be the efficient implementation of its programme of activities and the development of its projects, areas where the Organization might need further time for adjustment and improvement.

9. The new service modules, interlinking the different services reflecting UNIDO's comparative advantage, were a welcome sign of its transformation from a donor-driven to a service-oriented organization. Switzerland would be examining the new integrated services from the point of view of their quality and suitability for its own portfolio. In that regard, scarcity of resources obliged donor States to direct their cooperation pragmatically towards institutions that were the most efficient and effective in terms of project implementation.

10. Switzerland urged UNIDO to complete without further delay the commendably coherent action already taken to reorganize its field representation and wished to insist on the importance of applying the mix of quantitative and qualitative criteria established for the creation of country offices.

11. His country also welcomed the results achieved in the development of performance indicators, which provided a means for Member States to monitor the Organization's macro-management and to measure improvements in performance at the division, branch and individual levels. Ideally, however, such indicators should form part of a broader quantitative and qualitative evaluation process, and Switzerland looked forward to seeing a progress report at the next session of the Board on how those different functions were being integrated in order to generate synergies.

12. **Mr. LAASSEL** (Morocco) said that his delegation was concerned at the considerable arrears accumulated by many Member States, especially in view of the fact that 58 countries were consequently still deprived of their

voting rights. In that regard, the solutions proposed by the intersessional open-ended discussion group on timely payment of assessed contributions, in its report contained in document IDB.19/12, should be implemented, including the incentive schemes for early payment, the possibility of payment in local currency to local UNDP offices, procedural and preventive measures to be applied to countries whose arrears were not great enough to lead to loss of voting rights and, in the case of the United States of America, measures to achieve the ambitious goal of recovering that country's arrears. Morocco welcomed the recent decision of the United States Government to extend the immunities and privileges accorded to UNIDO for approximately two years after its withdrawal from the Organization.

13. Morocco was also concerned about the decline in technical cooperation funding. The contribution base should be expanded by means of mechanisms for cost sharing by recipient countries, the private sector and civil society, a system which had already proved its worth, as had been demonstrated by a recent World Bank study of water-supply projects, and offered the best solution in the light of UNIDO's current situation, making for improved project identification and evaluation and more favourable conditions for project implementation. Moreover, the cost-sharing ratio provided a good indication of which projects were sufficiently sound to justify UNIDO's involvement and build confidence among donors.

14. While substantial progress had been achieved in implementing the Business Plan on the Future Role and Functions of UNIDO, partly through the creation of integrated service modules, such reform had focused on aspects of management rather than technical cooperation. The Second Industrial Development Decade for Africa (IDDA) might well repeat the failure of the First Decade if sufficient funding were not forthcoming for its implementation. Africa's continuing marginalization in terms of its manufacturing industry and the prospective decline in its growth rate for 1998 demonstrated the urgent need for genuine solutions to its present lethargy. The African countries were now showing a new determination to seek their own solutions in cooperation with the international organizations and were introducing economic reforms aimed at boosting growth and investment. Official development assistance, which had shrunk because of the alleged budgetary constraints of donor countries and the mistaken idea that such assistance was rendered superfluous by private capital flows, should be restructured and directed towards priority areas such as water, education and health. Servicing Africa's foreign debt was also a major obstacle to growth, calling for even more strenuous efforts on the part of the multilateral system, and especially UNIDO, to promote the continent's rapid industrialization in line with its particular needs. In that regard, gratitude was due to the Director-General for his endeavours to improve UNIDO's relations with other international organizations, resulting most recently in the collaboration agreement with the United Nations Development Programme (UNDP).

15. With regard to the contribution by UNIDO to the System-Wide Action Plan for Drug Abuse Control, his delegation noted from document IDB.12/13 that no specific drug-related initiatives were foreseen for the Organization. Nonetheless, Morocco believed that the establishment of small agro-industrial units with UNIDO's assistance to create alternative employment for population groups currently subsisting on cannabis cultivation would assist the country in its own alternative development efforts.

16. Concerning field representation, Morocco was keen to complete the current negotiations with UNIDO in order to ensure that its country office, which would be pioneering the cost-sharing approach, might become operational as soon as possible. Greater decentralization of UNIDO could only benefit the Organization by putting it more closely in touch with Member States' needs.

17. Finally, with regard to performance indicators, his delegation considered that the introduction of the cost-sharing ratio established according to national levels of development would encourage UNIDO's clients to target proposed projects more precisely, to avoid the constraints of annual budgeting and to take advantage of customs and other exemptions. At the same time, that indicator would enable national authorities to better monitor project implementation in collaboration with the Organization.

18. **Mr. JEDDA** (Tunisia) said that the celebration of the ninth Africa Industrialization Day was a sign of efforts by the African countries and the international community to bring about a process of dynamic development in Africa. The Second IDDA programme, strengthened by the mechanism of the Alliance for Africa's Industrialization, should be maintained through financial support from donor countries with a view to the implementation of a genuine industrial development strategy ensuring sustainable growth in the African continent. Such a programme, updated and provided with adequate financial resources, could help the African countries meet the challenges of globalization, through the development of their industrial fabric. His delegation supported the holding of a donors' conference to be organized by UNIDO jointly with other organizations of the United Nations system for the purpose of mobilizing funds necessary for Africa's industrialization.

19. Tunisia welcomed the technical cooperation service modules elaborated by UNIDO to better meet country requirements and improve the focus of the Organization's services to beneficiary States, and commended in particular the introduction of a programme for women entrepreneurship development. His Government also welcomed the implementation of a specific programme

between India and FIAT, and hoped that similar actions would involve other countries in the future.

20. On the question of field representation, his delegation believed that in order to achieve a better balance between staff and resources allocated to Headquarters and the field, their redeployment should include appropriate delegation of authority. The cost of that decentralization could be amortized by contributions in kind and in cash from beneficiaries, as had been the case in Tunisia during the last two years. He reiterated his delegation's support for the Secretariat's continuing consultations with Member States on strengthening field representation and mobilizing the necessary funds.

21. **Mr. SOKOLOV** (Russian Federation) said that UNIDO's transformation in terms of image, organizational structure, decentralization and personnel policy was now essentially complete and it was currently intensifying cooperation with the private sector and spearheading inter-agency coordination efforts. It was vital not to lose any momentum in moving from the reform process, achieved largely thanks to its Director-General and within the constraints of a substantially reduced budget, to practical action geared to the specific needs and characteristics of Member States, including countries with economies in transition. To that end, an effective mechanism was needed for practical implementation of the new programme elements, together with a staff of highly qualified professionals. His delegation felt that the new personnel policy pursued by the Organization's management would indeed produce such a staff.

22. The success of the transition from reform to action also depended on the financial support of Member States. It was to be hoped that other countries would follow Russia's lead in doing their utmost to settle any arrears despite domestic financial difficulties. It was during the present time of economic crisis that Russia was particularly keen to benefit from UNIDO assistance, especially in the areas of quality standards and metrology, cleaner production processes and power generation, promotion of small and medium-sized enterprises (SMEs), investment promotion and industrial restructuring. In that connection, the recent talks in Russia with the Director-General had demonstrated UNIDO's readiness to provide Russia with practical assistance based on its new sets of service modules and had resulted in a series of cooperation agreements. His country supported the Organization's programme for the industrial development of Russian regions, which it felt would improve the national economic situation. It was important that the federal Government should play an effective coordinating role in such cooperation initiatives. Speedy finalization of the comprehensive cooperation programme between UNIDO and Russia, containing mutually complementary federal and regional components, was also essential.

23. His delegation was generally in favour of the policy of decentralization and the delegation of greater resources and authority to field offices, which could contribute greatly to improving the effectiveness of technical cooperation, in particular by reducing the time taken to respond to clients' requests. Russia also supported an increase in UNIDO's contribution to system-wide efforts in the area of drug demand and supply reduction, most specifically through alternative development activities.

24. With regard to performance indicators, his delegation felt the new set of indicators should extend beyond the Organization's administrative activities to its substantive programmes, including the service modules. Evaluation of programmatic work should be directed towards improving the efficiency and effectiveness of projects. On the administrative side, the new indicators should help achieve an optimum staffing structure and improved performance by each individual staff member, both at Headquarters and in the field. The indicators should be few in number and transparent, and should be introduced gradually and adjusted as the situation evolved.

25. Fresh opportunities were now opening up for the newly reformed UNIDO, with its enhanced influence and authority as a central component of the United Nations system in the sphere of industrial development. One such opportunity was to play a unique role in coordinating the intersectoral activities of the plethora of specialized international agencies engaged in the pursuit of socio-economic development through cooperation in various areas of science, industry and technology. By virtue of its expertise in the harmonization of legislation in the field of industry and advanced technologies and its experience gained through cooperation with the International Organization for Standardization (ISO), the Organisation for Economic Cooperation and Development (OECD) and the International Centre for Genetic Engineering and Biotechnology, UNIDO could also make a valuable contribution to the process of globalization. A third challenge was to act as broker in the expansion of international cooperation and transfer of technology, in particular from Russia to interested developing countries. The degree to which those opportunities were successfully grasped would largely depend on how efficiently and effectively they were handled by all those working together on UNIDO's behalf.

26. **Mr. REGUIEG** (Algeria) said that his delegation appreciated the substantial progress achieved in implementing the Business Plan and was confident of the ability of the Director-General and his team to successfully complete the reform process. The Action Plan of the Alliance for Africa's Industrialization remained an effective instrument for achieving the objectives of the Second IDDA and the approach outlined in document IDB.20/12

duly reflected the high priority assigned by UNIDO to Africa. It was to be hoped that the forthcoming Consultation Meeting on Industrial Partnership and Investment in Africa would provide an opportunity for mobilizing the necessary funds to implement the IDDA programme.

27. His delegation supported the field representation approach set out in document IDB.20/16 and commended the progress made in the implementation of the field representation programme notwithstanding the Organization's limited financial and human resources. Consultations aimed at finalizing arrangements as quickly as possible would be welcome.

28. Algeria remained convinced of the usefulness of performance indicators to Member States, which would thus be assisted in monitoring the implementation of the reform process, in particular through the programme and budgets. It was to be hoped that the new indicators would be applied in a transparent fashion to all the Organization's activities, in particular the new service management cycle and sets of service modules.

29. His delegation noted the encouraging trend among certain States regarding payment of their outstanding assessed contributions. Algeria had settled its arrears for 1996 and 1997 and would pay its 1998 contribution by the end of the year.

30. **Mr. LANGELAND** (Norway) said that Norway welcomed the finalization of the major administrative and programmatic reforms in UNIDO. Important elements of the Business Plan had been implemented, despite the Organization's difficult financial situation. He looked forward to receiving further information on how the new service modules were put into practice and how they worked. Reform was not an end in itself, and the results of reform could only be measured in the field. Speedy elaboration and implementation of performance indicators were therefore necessary.

31. His Government was in the process of finalizing a strategy to promote the private business sector in the south, and looked forward to cooperating with interested parties, including agencies within the United Nations system, in the implementation of that strategy.

32. The integration of UNIDO's services into activities of other technical cooperation partners through the service modules and their integration into the United Nations Development Assistance Framework (UNDAF) were positive developments. Coordination and accountability were crucial in the reform of the United Nations. While the memorandum of understanding between the United Nations Conference on Trade and Development and UNIDO and the strengthened cooperation with UNDP were valuable contributions, further details concerning the specific follow-up to those initiatives in the field and at Headquarters would be welcome. His delegation appreciated the information on cooperation arrangements with private partners and other multilateral agencies on private sector development. UNIDO's cooperation with the United Nations Environment Programme (UNEP) should be viewed from the perspective of the latter's leading role in coordinating the efforts of the United Nations system towards achieving sustainable development.

33. Field offices ensured that the needs identified by recipient countries were better matched to the technical cooperation activities provided by UNIDO. It was important for the Secretariat to accelerate its efforts to decentralize responsibility and delegate authority to the field. The Norwegian delegation would appreciate details of further concrete measures as UNIDO took steps to act on the basis of the report by the Joint Inspection Unit (JIU) on strengthening field representation of the United Nations system (JIU/REP/97/1). Field offices should see themselves as members of the overall United Nations presence, and not simply as staff of UNIDO.

34. Norway appreciated the geographical focus on sub-Saharan Africa in UNIDO's activities, which was in line with the Business Plan. When new country offices were set up, priority should be given to least developed countries. It would like to know how UNIDO's activities in Africa related to other United Nations programmes, such as the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF).

35. UNIDO had a clear mandate from the General Conference to contribute to system-wide efforts towards capacity-building in gender mainstreaming and equal opportunities in the Secretariat. A gender perspective must be integrated into all UNIDO's operational activities and not be restricted to one service module. It was necessary to implement in full the measures set out in Director-General's bulletin UNIDO/DG/B.188 with a view to increasing the proportion of women in the Secretariat, in order to achieve the targets previously set.

36. Norway supported the continuing efforts to collect outstanding arrears of contributions. At the same time, it regretted that valuable resources had to be devoted to that task. All Member States, past and present, should therefore settle their arrears, and pay their assessed contributions in full, on time and without conditions.

37. Finally, he commended the Director-General and his staff for the progress made during the past year with regard to the administrative and programmatic reforms.

38. **Mr. WANG Baorong** (China) said that 1998 had been a year of progress in UNIDO's reform process. In accordance with the Business Plan and the budget cuts agreed upon by the Board at its eighteenth session, the new Director-General had successfully carried out staff reductions and restructuring and had made great strides to

implement operational reforms and strengthen internal management. The expansion of UNIDO's services to 16 service modules reflected the Organization's efforts to provide a better framework for delivering improved technical cooperation services to the developing countries. However, reform was not the final goal but a means to enable UNIDO to provide more effective services for sustainable industrial development. Ultimately, the main yardstick for evaluating UNIDO's performance was its impact on the industrial development of the developing countries. At the last session of the Programme and Budget Committee, his delegation had expressed concern at the marked decrease in the implementation of technical assistance projects for the year. It was pleased to note that the Director-General had taken measures to address that issue in order to improve the implementation rate, and hoped that UNIDO would concentrate its energies on the real needs of the developing countries, intensifying efforts aimed at resource mobilization and providing better services for economic development, especially in the least developed countries (LDCs) in Africa.

39. The support of Member States, particularly the Western developed countries, was essential to UNIDO's success in assisting the developing countries in their industrial development. The rapid globalization of the economy had made countries more interdependent. The economic and financial crisis that had originated in mid-1997 in South-East Asia had affected all parts of the world. The continuing decline in prices of oil and primary products was leading to even greater inequities in world income, and many LDCs were becoming further marginalized from the mainstream of the world economy, their share of world trade dropping sharply. The international community had a duty to help them share the benefits of globalization in an equitable manner. His delegation appealed to the developed countries to take a long-term view and make more voluntary contributions to UNIDO in order to allow it to play a greater role in helping the economic development of developing countries, especially the least developed ones.

40. His Government attached great importance to cooperation with UNIDO. In recent years, cooperation with China had been most prominent in projects under the Multilateral Fund of the Montreal Protocol. Since 1994, more than 20 technical assistance projects, with a value of some $40 million, had been approved in several industrial sectors. Technical cooperation provided by UNIDO had led to improved management of Chinese enterprises, opening up good prospects for their modernization and integration into the world market. Investment promotion activities organized by UNIDO in China in 1998 had produced very positive results, and his Government would continue to explore further possibilities for cooperation with UNIDO in other areas.

41. Despite the efforts made by UNIDO to strengthen field representation, the effects were not very obvious. His delegation hoped that the Organization would take practical measures to achieve decentralization, simplify procedures and improve efficiency. The strengthening of field representation should to the extent possible avoid any increased economic burden on host Governments.

42. With regard to the retention and separation of staff, the most important factors for consideration were the skills required for UNIDO to provide services to the developing countries and the balance of country representation. Other things being equal, priority should be given to staff members whose country was underrepresented. With regard to Administrative Instruction 10, setting out basic standards for staff recruitment, promotion and training, his delegation believed that there should be clearer definitions and detailed rules of implementation, in order to avoid possible misuse of authority. On the question of staff recruitment and promotion, China supported the policy of increased transparency, fair competition, and simplified procedures. At the same time, the principle of equitable geographical distribution and the need to increase the ratio of female staff should be fully borne in mind.

43. **Mr. BOERSNER** (Observer for Venezuela) said that his country wished to stress the importance of the new programmatic bases of UNIDO and the need to assign high priority to the dissemination of information on development strategies. The current session provided the first opportunity to review the programme framework prepared by the Director-General and the Secretariat. The new service modules presented options that required careful analysis by the competent national authorities to determine how they responded to genuine industrial development needs.

44. Innovative methods and development strategies based on a constant flow of information undoubtedly had to be introduced to enable developing countries to meet the challenges inherent in globalization and advances in technology and communications. The economic imbalance between the industrialized and the developing countries was aggravated because of difficulties in the flow of information concerning the development of technology and markets. Appropriate communication was lacking not only between the industrialized and the developing countries but also among developing countries themselves.

45. Information and communication were therefore fundamental tasks of UNIDO, which should serve as a liaison point between donors, developing countries and countries with economies in transition. In particular, the Secretariat should design an appropriate methodology for explaining to all sectors in the recipient countries the scope and possible benefits of the new service modules.

46. In the context of disseminating information on industrial development against the background of a

market economy undergoing a globalization process, the creative activity of the private sector had to be combined with guidance and stimulation from the public sector and international organizations. To help achieve that aim, he proposed that a large-scale symposium on the fundamental problems of sustainable industrial development and the best way to make use of the integrated services offered by the Organization should be organized in the framework of UNIDO between representatives of the private and public sectors and international organizations.

47. The strengthening of field representation should not be conceived of as the mere establishment or transfer of offices but as a creative and imaginative effort undertaken in consultation with Member States to establish direct contacts and cooperation between UNIDO and entrepreneurs and other clients.

48. **Ms. KHAN** (Observer for the United Republic of Tanzania) said that many African countries, having emerged from the economic crises of the 1980s and early 1990s, still faced serious constraints and did not have the capacity to address global relationship management or to meet the challenges of globalization.

49. Her Government had taken major initiatives to change from an economy predominantly driven by the public sector to one led by the private sector, in which the latter was expected to play a dynamic role in the industrialization process. Accordingly, a national consultative council had been established as a mechanism for continuous dialogue between the Government and the private sector, with the aim of improving policy instruments and creating an enabling environment for the development of indigenous enterprises and the attraction of foreign direct investment and technology. Her country was grateful for the support of multilateral organizations such as UNIDO and of donor countries in its efforts to establish a sustainable economic base.

50. During a recent visit to Tanzania, the Director-General had informed her Government of the action being taken to restructure UNIDO, while the Tanzanian Government had explained its development vision, its ongoing programmes and the areas in which external assistance would be required. A multidisciplinary mission from UNIDO had since visited her country to determine the nature and scope of UNIDO's technical assistance programme and had formulated an integrated programme for enhancing industrial competitiveness and sustainability. That programme, designed in the context of the service modules, covered the needs of both the Government and the private sector and had been worked out with the cooperation of industrial support institutions and non-governmental organizations (NGOs), focusing on entrepreneurship development and particularly on women in development.

51. Since the implementation of the programme involved some elements of economic and technical cooperation among developing countries (ECDC/TCDC), her country would be able to benefit from the experience of countries in Asia, Latin America and Eastern Europe. The programme was scheduled for execution within a period of three years, but, in view of its comprehensive nature, her Government trusted that some degree of flexibility would be possible in that respect. It appealed to donor countries to help mobilize funds for the implementation of the programme.

52. Finally, she thanked the Director-General for his commitment to the industrial development of the African countries.

53. **Mr. RYDZKOWSKI** (Poland) said that his delegation believed that the reform of UNIDO, which had been going on for more than ten years, was on the right track but wished to stress that it was also necessary to ensure a certain level of stability, particularly in the execution of programmes and in personnel policy. The success of the Director-General's reform efforts would depend to a great extent on the goodwill and cooperation of Member States.

54. UNIDO's financial situation had been a matter of permanent concern to the Board and to his Government, which had always paid its assessed contributions in full and on time and had also made voluntary contributions. He was glad to note an improvement in the Organization's financial situation and shared the view that the timely payment of assessed contributions and the settlement of arrears were vital to UNIDO's continued success.

55. His delegation believed that the informative report of the External Auditor (IDB.20/3) would be extremely useful in bringing about further improvements in the administration of the Organization.

56. With regard to the industrial development of Africa, which was a prime regional target of UNIDO's present and future activities, Poland endorsed the initiatives to be taken by the Director-General.

57. In the context of field representation, the Secretariat might consider further strengthening of the Investment Promotion Service Offices (IPSOs) and their closer adjustment to the new objectives and programmes of the Organization. More importance should be attached to human resources development. Having operated an IPSO for 16 years, Poland would support a flexible improvement of the IPSOs in order to meet the changing needs of the host countries. He therefore wished to encourage the Secretariat to adapt the relevant regulations in order to provide more flexibility, under the overall supervision of UNIDO Headquarters and host Governments.

58. His delegation welcomed the initiatives for the establishment of a coherent and transparent system of performance indicators for measuring the work of UNIDO and the achievement of the reform objectives. That would avoid the effects of the moving target syndrome and an unnecessary extension of the reform process.

59. In relation with the substantive reform of UNIDO, he welcomed the concept of the integrated service modules as an integral part of the medium-term programme framework (MTPF), 2000-2003. Many changes had already been introduced, but it was difficult to say how close the present revised MTPF was to completion.

60. The programmes enumerated in the service modules would concern practically all Member States. As the representative of a country which had successfully transformed its economy, he offered its participation in various proposed programmes, in cooperation with UNIDO.

61. His delegation was ready to discuss any realistic concepts for the future of UNIDO and its adaptation to the new world economic situation and political order.

62. **Mr. PRASAD** (India) said that his delegation fully supported the measures taken for the programmatic and administrative transformation of UNIDO, which had emerged as a dynamic institution capable of addressing the challenges of a fast-changing global economy.

63. He commended the action taken by the Director-General to strengthen field structures. A balance had to be struck between substantive expertise in the field and core competencies at Headquarters, and the quantity of services rendered through the field offices should be commensurate with costs. A scheme for the rotation of staff would provide valuable field experience. His Government would support the UNIDO Representative in India in the effective establishment of focal points in Sri Lanka and Bangladesh.

64. His delegation was happy to note that greater decentralization was envisaged in decision-making and the empowerment of field offices. Since it would be difficult for the field offices to maximize their output without adequate budgetary support, he suggested that Member States should consider enhancing their contributions towards the local costs of the offices. India was already meeting some 60 per cent of the local costs of the field office in its country.

65. UNIDO must use a mix of in-house experts and outside consultants to meet the needs of developing countries in a cost-effective manner. Since the requirements of developing countries varied greatly, UNIDO should identify and concentrate on the areas in which it had a comparative advantage. The initiative for the promotion of Indian technologies and investment in selected African countries bordering the Indian Ocean was a pertinent example.

66. He endorsed the view of the relevance of human resource development to institutional capacity-building and industrial entrepreneurship development. With the support of UNIDO, his Government had set up a regional centre for strengthening industrial management capabilities at the enterprise level in order to cater for the needs of developing countries.

67. Greater attention should be devoted to environmental concerns in the context of sustainable industrial development, and the Organization should accord high priority to technical cooperation with a view to the abatement of pollution and the promotion of cleaner production technologies.

68. Since investment promotion was of great significance to the developing countries and to countries with economies in transition, India had arranged a series of Intechmarts involving Indian and foreign entrepreneurs to promote two-way flows of financial and technical cooperation and was strengthening its technology bureaux for small enterprises.

69. His delegation supported South-South cooperation and the programmes for the Second IDDA and the industrialization of the LDCs. The formulation of an agro-related industrial development programme for the African countries would build up competitiveness based on potential comparative advantage.

70. In the development of the private sector, special emphasis should be placed on SMEs through cluster development and the establishment of subcontracting exchanges.

71. His Government supported the cooperation agreements between UNIDO and major institutions and companies, which would enable the domestic industry in the developing countries to interact with multinational corporations in the context of globalization. He was happy to note that a programme of support for the development of sector-specific industrial processing zone facilities in some states of India was under active consideration by UNIDO.

72. His country had regularly paid its assessed contributions and intended to raise its voluntary contribution from $1 million to $1.2 million. He urged donor countries to increase their voluntary contributions.

73. **Mr. WURIE** (Sierra Leone) commended the Director-General for his dynamic leadership in refocusing UNIDO's functions in the form of technical cooperation service modules, which would be reflected in concrete

programmes at the country level. His delegation wished to stress the importance of ensuring strong client ownership of programmes.

74. After the difficult period in 1997 when the future of UNIDO was being debated and in view of the results delivered by the Organization, it was time to think seriously of investment in its programmes, investment to reinvigorate its technical capacity, and investment in its service delivery structures in the field and the regional offices.

75. The Board should shift its discussions more towards programmatic and substantive issues and focus on how Member States could support UNIDO's programmes through funds mobilization and proactive measures to enhance the capacity and quality of delivery.

76. He had recently visited Latin America as a part of a United Nations World Food Programme (WFP) delegation, which included both permanent representatives of WFP and technical staff. Representatives of Member States had thereby been given the opportunity to appreciate the real issues faced in addressing the food security problems of some developing countries. UNIDO could consider such a strategy as well.

77. As shareholders of an organization dealing with industrial deve'opment, Member States must begin to consider their vision for UNIDO in the coming millennium. UNIDO had led the way in United Nations reform and should therefore be rewarded for its reform efforts, as an example for other organizations to follow.

78. **Mr. BAN** (Republic of Korea) said that he wished to reaffirm his delegation's support of the adjustments to the 1998-1999 programme and budgets made by the Director-General and, in particular, of the measures to be taken concerning the Vienna Chapter of the Group of 77. The Director-General should seek an agreement with the executive heads of other organizations in Vienna on sharing the relevant financial burden.

79. He was encouraged that the current level of UNIDO's regular budget resources had been relatively improved but was concerned at the amount of unpaid contributions. His country would pay a small outstanding amount in full within the current month. In view of the current financial situation of the Organization, he supported the Director-General's proposal for zero real growth in the next budget.

80. He commended UNIDO's efforts to contribute to the System-Wide Action Plan on Drug Abuse Control and hoped that the Organization would continue to give due consideration to the Action Plan at the field level, in full collaboration with other agencies of the United Nations system.

81. With regard to the activities of the Joint Inspection Unit, as described in document IDB.20/15, his delegation supported the proposed study on the delegation of authority and accountability, which it expected would facilitate understanding of those matters.

82. He reiterated his country's support for UNIDO's contribution to the development of the African nations. Since establishing the Development Cooperation Trust Fund with the Economic Commission for Africa (ECA) in 1995, the Republic of Korea had made efforts to support LDCs in the region. It would support the development efforts of Ethiopia, in consultation with UNIDO, by allocating $200,000 from its special-purpose IDF contribution.

83. In cooperation with the Office of the Special Coordinator for Africa and the Least Developed Countries, his Government was planning to hold a forum on Asia-Africa cooperation in export promotion, in December 1998, which he hoped would provide an opportunity to review the practical efforts made by African nations in export promotion by sharing experiences with the Asian countries.

84. His delegation hoped that, based on the newly introduced service modules, UNIDO's service delivery in the Asian and Pacific region would make efficient progress. The recent briefing by the Secretariat on the service modules had been very helpful; such briefings and consultations with Member States should continue.

85. The Republic of Korea shared the view of many Member States that performance indicators were crucial to monitoring the work of the Organization and commended the Secretariat's ongoing efforts to develop such indicators.

86. With regard to field representation, his delegation believed that, since the number of field offices had already been decided upon, it now remained to strengthen the offices themselves. In order to be able to function properly, each field office should be provided with appropriate personnel and resources.

87. **Mr. ABU** (Ghana) said that the report of the Programme and Budget Committee on the work of its fourteenth session (IDB.20/2) implied that, owing to its critical financial situation, UNIDO was not in a position to undertake all its technical assistance projects. The Government of Ghana believed that all Member States, despite their own financial constraints, should endeavour to honour their financial obligations to the Organization.

88. His delegation was pleased to note the significant progress made in implementing the Business Plan and welcomed the proposals to introduce new integrated

services under the medium-term programme framework for the period 2000-2003. The consultations to be held with Member States prior to implementation of the programme framework would be invaluable in eliminating duplication and ensuring greater coordination that would no doubt lead to sustained capacity-building for industrial development. Maximum attention should be paid to small and medium-sized enterprises, given their important role in Africa's development.

89. The creation of the post of Special Adviser and Assistant Director-General on African Affairs was an indication of UNIDO's increased focus on Africa and the new thinking within the Organization regarding Africa's industrialization. That renewed interest, coupled with the corresponding commitment of all concerned, would contribute significantly to Africa's emergence from poverty, deprivation and marginalization.

90. The delegation of Ghana viewed with some concern the decline in the number of women in the Secretariat at a time when the trend in the United Nations system was to ensure gender balance, and hoped that, in recognition of women's immense contribution, in both the formal and the informal sectors, the necessary steps would be taken to remedy that situation.

91. **Ms. KAYGISIZ** (Turkey) said that the new integrated staff structure would enable programmes and projects to be implemented in a more coordinated manner. The simplified Secretariat structure would allow the Director-General to work more closely with staff members at all levels, particularly those directly responsible for projects.

92. Her delegation hoped that questions relating to the supplementary estimates concerning VIC-based requirements for the current fiscal year would be finalized following consultations to resolve the Buildings Management Service issue, and urged the Director-General to work towards a cost-effective solution which did not burden UNIDO with unnecessary tasks.

93. Turkey hoped that the intersessional working group on proposed amendments to the financial regulations would resume its work as soon as possible.

94. Her delegation fully supported the recommendations of the Programme and Budget Committee that donors be encouraged to contribute programmable funds, and that Member States enable UNIDO to acquire funds from bilateral sources. Also, Governments of recipient countries should take a greater share of responsibility for mobilizing funds for jointly identified high-priority projects.

95. The current gender balance in the Organization was far from satisfactory, particularly at decision-making levels. As part of its contribution to the United Nations system-wide efforts towards capacity-building in gender mainstreaming and equal opportunities in the Secretariat, UNIDO should make special efforts to appoint women to strategic positions.

96. Her delegation generally supported the proposals concerning the medium-term programme framework, 2000-2003, as set out in document IDB.20/9, and hoped that UNIDO would in that period demonstrate its unique expertise, especially in such areas as energy, the environment, the private sector and investment promotion. Turkey would continue to support UNIDO in its efforts to meet the growing needs of the developing and least developed countries, operating as a centre of excellence with a good balance between Headquarters and the field. Changes in the world economy, particularly in 1999, would need to be taken into careful consideration during finalization of the medium-term programme.

97. With regard to the field representation programme, Turkey wished to encourage the Director-General to continue to act as an honest broker in determining the field offices. UNIDO's field representation support should be conditional on financial or other contributions by host countries. Her Government was negotiating the establishment of a country office in Ankara, to serve the needs of a number of neighbouring countries. UNIDO's technical cooperation activities would be greatly enhanced in all aspects through close cooperation with subregional, regional and country offices.

98. **Mr. ALI** (Observer for Uganda) said that UNIDO's good performance during the year should not obscure the fundamental problems still faced by the developing countries. Most LDCs, especially those in Africa, had experienced severe and persistent economic crises marked by low or negative rates of growth attributable to a variety of internal and external factors, including structural constraints related to continuing high dependence on a small number of primary commodities and low resilience to external shocks. A radical transformation needed to be undertaken in those countries to enable them to enter the mainstream of global trade, investment and technology flows.

99. UNIDO could fully complement the industrialization efforts of the African countries. In the globalized and liberalized world economy, the Organization's role was more crucial than ever before. Reaffirming the fundamental importance of industrialization in the economic and social development of African countries, he appealed to all Member States, particularly the donor States, to give their political and financial support to the restructured and revitalized UNIDO.

100. In seeking to establish a strong, sustainable and internationally competitive industrial sector, his country had recognized the importance of private sector partici-

pation in the industrialization process. Active steps had been taken both to encourage African private entrepreneurs and to promote foreign investment. Support for small and micro enterprises was central to Uganda's programmes.

101. The visit to Uganda by the Director-General on his first tour of Africa had been followed up by a mission to formulate a programme on capacity-building to enhance the competitiveness and sustainability of the country's industrial development, with emphasis on micro and small enterprises and agro-based industries. The programme had been accepted in principle by the Government and its technical details would be elaborated by UNIDO with representatives of the Ugandan public and private sectors.

102. His delegation felt that there was a need to strengthen UNIDO's field representation not only in Uganda but in all LDCs. Document IDB.20/16 indicated that country-level UNIDO Representative placement would be supplemented by the establishment of a focal point in Uganda. It was hoped that that would be a temporary measure leading to a full UNIDO Country Director post for Uganda. While there was a need for host countries to contribute to the field offices, the Organization's obligations towards the LDCs, which required strong field representation, should not be overlooked.

103. The success of the programmes for the Second IDDA and the Alliance for Africa's Industrialization depended on adequate funding. The Ugandan delegation therefore welcomed the proposal for a donors' conference to be organized by UNIDO in 1999.

104. **Mr. ISMAILOV** (Observer for Azerbaijan) said that his delegation wished to reaffirm its country's support for UNIDO's reform process, which had been elaborated in such a way as to increase the effectiveness of the Organization and encourage exchanges of views on its programmes. It had been reassuring to note the initiatives that had been successfully undertaken in the further implementation of decisions adopted by the General Conference. Useful meetings had been held between UNIDO staff, Member States and prominent industrial development experts. Such undertakings would contribute to the implementation of the Business Plan and to the development of the new integrated services.

105. The forthcoming meetings to be held in Vienna on the issues of cleaner production and energy efficiency would be important stages in the formulation of projects to improve the environmental infrastructure and achieve greater energy efficiency in various sectors of the economy through reduced costs, enhanced competitiveness and the conservation of energy resources.

106. His delegation appreciated the work carried out by the Secretariat in designating field offices, transferring staff and decentralizing the Organization's operations. That would obviously assist the execution of local projects, the promotion of UNIDO services and the mobilization of funds at the country level.

107. The transformation of the structure of the Organization in accordance with the Business Plan was particularly important now that new policies and procedures were being introduced. While, in the course of the reform process, account had to be taken of UNIDO's leading role in industrial investment promotion, technology transfer and human resources development, and also of the unique expertise of its highly qualified professional staff, consideration might be given to the possibility of the Organization's involvement in projects in other spheres.

108. **Mr. CHAUNY DE PORTURAS HOYLE** (Peru) said that his Government welcomed the emphasis placed by the Director-General on effective cooperation between UNIDO and other international organizations with a view to achieving greater coherence within the United Nations system.

109. The drug problem was one of the greatest challenges facing the international community, with particularly negative repercussions in the Latin American and Caribbean region. The Peruvian delegation would support UNIDO's efforts to address that problem within the framework of the Business Plan and in close collaboration with the United Nations International Drug Control Programme, since the issue of drugs was linked to the development policy of the region's countries.

110. The related draft decision submitted for consideration by the Board at the present session was fully in line with the Action Plan on International Cooperation on the Eradication of Illicit Drug Crops and on Alternative Development, elaborated at the twentieth special session of the General Assembly on the world drug problem, and reflected the urgent need to take concerted measures at the global level to deal with the issue.

111. **Mr. KOCHARIAN** (Observer for Armenia) said that the Organization's innovative programmatic approach was to be commended in view of its possibilities for assisting countries with economies in transition in their efforts to accelerate their socio-economic development while at the same time addressing environmental concerns.

112. UNIDO's service modules were comprehensive in nature, ranging from industrial policy formulation to enterprise support services. Clearly not all countries needed integrated packages of services. Of the modules presented, the most important for his country were investment and technology promotion, SME policy framework, cleaner production, pollution control and waste management, and entrepreneurship development. Industrial policy

advice had already been successfully provided by the UNIDO expert mission to Armenia in June 1998. The next step was implementation.

113. An analysis of past and current activities suggested that Armenia's cooperation with UNIDO could be more effective. His delegation believed that UNIDO's programmes would have a stronger impact if they were integrated with ongoing technical assistance programmes. Armenia could perhaps be listed among the "showcase" countries. It had very high scientific research potential, with experts working in the fields of energy, reprocessing of agricultural products, laser technology and microelectronics, among others. Research and development institutions in his country, as in many other countries with transition economies, were somewhat divorced from the needs of industry. By establishing links with similar institutions in other countries, and seeking the support of donors with a view to the implementation of ideas for industrial applications, industrial competitiveness could be improved. In that connection, Armenia looked forward to UNIDO's forthcoming assessment mission to develop a project aimed at exploiting the country's research and development facilities.

114. His Government fully shared the concern about the financial stability of the Organization and recognized the need for timely payments by Member States. Despite its current financial difficulties, it was seriously addressing the matter of meeting its financial obligations.

115. **Mr. CAMARA** (Observer for Guinea) said that the fruitful cooperation between his country and UNIDO was reflected in the formulation, with the assistance of UNIDO and UNDP, of a framework programme of support for the private sector, to be implemented under an integrated UNIDO programme for Guinea extending over three years and consisting of three interrelated elements, which would make it possible to establish policy strategies and a legal and regulatory framework conducive to the sustainable development of the private industrial sector, to strengthen institutional support for the private sector, and to promote private industrial entrepreneurship.

116. The cooperation agreement amply indicated UNIDO's interest in his country, an interest which was both a recognition of Guinea's macroeconomic performance and the outcome of the synergies created between his Government and all the partners involved in its social and economic development efforts. The framework programme covered five years and had a budget of some $112 million. He hoped that UNIDO and Member States would assist in mobilizing the remaining funds needed to implement both the framework programme and the integrated programme. Guinea was ready to give its full support to help ensure the success of the planned activities and would provide human and material resources worth some $150,000, as well as other facilities.

117. In conclusion, he commended the Director-General's strategic vision for sustainable integrated development, the continued operation of the Conakry office, and the work of UNIDO's staff, particularly those dealing with his country and the African region.

118. **Mr. BOIKO** (Economic Commission for Europe (ECE)) said that one of the main objectives of ECE's operational activities was to assist countries with transition economies in the development and harmonization of legal instruments and norms and standard-setting in its areas of competence. Particular attention was paid to countries which did not benefit sufficiently from other technical assistance programmes. Given its limited resources, ECE recognized the multiplier effect of responding to requests from subregional groupings.

119. Considerable importance was attached to the United Nations Special Programme for the Economies of Central Asia (SPECA), adopted under the Tashkent Declaration signed earlier in the year by Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan with ECE and the Economic and Social Commission for Asia and the Pacific (ESCAP). The purpose of the programme was to assist the five Central Asian countries in intensifying cooperation in areas of common interest and in integrating into the European, Asian and world economies. Initially, the programme would focus on projects relating to the development of transport infrastructure and cross-border facilitation, the rational and efficient use of energy and water resources in Central Asia, a joint strategy for regional development and attraction of foreign investment, regional cooperation on the development of multiple routes for pipeline transportation of hydrocarbons to global markets, and industrial restructuring with a view to creating internationally competitive manufacturing industries.

120. Project working groups were already being set up and background diagnostic papers were being prepared for their first meetings. The Tashkent Declaration included an appeal to other organizations in the United Nations development system, supporting States, donor countries, international financial organizations and the private sector for their support. UNIDO could also make a valuable contribution to the Programme and actively cooperate with ECE and ESCAP in its implementation.

The meeting rose at 5.55 p.m.